
Fortum's Annual Report 2014

Fortum is an energy company highly committed to sustainability. We strive to respond to the needs of our customers by generating, selling and distributing low-carbon electricity and heat and by offering energy-sector expert services.

20 Participations in associated companies and joint ventures

20.1 Principal associated companies and joint ventures

	OKG AB	Forsmarks Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1	TVO	Fortum Värme
Nature of the relationship	Power production company	Power production company	Power production company	Holding in energy company (listed)	Holding in energy company (listed)	Power production company	Holding in power and heat company
Classification	Associated company	Associated company	Associated company	Associated company	Associated company	Joint venture	Joint venture
Segment	Power and Technology	Power and Technology	Power and Technology	Other	Russia	Power and Technology	Heat, Electricity Sales and Solutions
Domicile	Sweden	Sweden	Finland	Norway	Russia	Finland	Sweden
Ownership interest, % ¹⁾	46	26	59	34	29	26	50
Votes, %	46	26	18	33	29	26	50

1) Kemijoki and TVO have different series of shares. The ownership interest varies due to the changes in equity assigned to the different share series. The ownership interests for 2013 for Kemijoki Oy and TVO were 59% and 26% respectively.

Shareholdings in power production companies

Power plants are often built jointly with other power producers. Under the consortium agreements, each owner is entitled to electricity in proportion to its share of ownership or other agreements and each owner is liable for an equivalent portion of costs. The production companies are not profit making, since the owners purchase electricity at production cost including interest cost and production taxes. The share of profit of these companies is mainly IFRS adjustments (e.g. accounting for nuclear related assets and liabilities) and depreciations on fair value adjustments from historical acquisitions since the companies are not profit making under local accounting principles.

Fortum has material shareholdings in such power production companies (mainly nuclear and hydro) that are consolidated using equity method either as associated companies (OKG AB, Forsmarks Kraftgrupp AB and Kemijoki Oy) or in some cases as joint ventures (Teollisuuden Voima Oyj (TVO)).

In Sweden nuclear production company shareholdings are 45.5% ownership of the shares in OKG AB and 25.5% ownership of the shares in Forsmarks Kraftgrupp AB. Excluding non-controlling interests in the subsidiaries, Fortum's participation in the companies are 43.4% and 22.2% respectively, which reflects the share of electricity produced that Fortum can sell further to the market. The minority part of the electricity purchased is invoiced further to each minority owner according to their respective shareholding and treated as pass-through. OKG AB and Forsmarks Kraftgrupp AB are accounted for as associated companies as Fortum has a representation on the Board of Directors and it participates in policy-making processes of the companies.

In Finland Fortum has an ownership in power production company TVO that has three series of shares which entitle the shareholders to electricity produced in the different power plants owned by TVO.

Shares in series A entitle to electricity produced in nuclear power plants Olkiluoto 1 and 2 and Fortum owns 26.6% of these shares. Series B entitles to electricity in the nuclear power plant presently being built, Olkiluoto 3, and Fortum's ownership in this share series is 25%. Series C entitles to electricity produced in TVO's share of the thermal power plant Meri-Pori. The Meri-Pori power plant is accounted for as a joint operation in Fortum. Fortum accounts for its 54.55% of the assets and TVO for 45.45%.

[See also Joint operation in Note 19 Property, plant and equipment.](#)

The most significant hydro production company shareholding is 63.8% of the hydro shares and 15.4% of the monetary shares in Kemijoki Oy. Each owner of hydro shares is entitled to the hydropower production in proportion to its hydro shareholding. Since Fortum has a representation on the Board of Directors and it participates in the policy-making processes, Kemijoki Oy is accounted for as an associated company.

Other shareholdings accounted for using the equity method

In Sweden Fortum has a 50.1% ownership in AB Fortum Värme Holding samägt med Stockholms stad (Fortum Värme). Fortum Värme is a district heating company, producing heat and power with CHP plants in Stockholm area, that is co-owned with the City of Stockholm. The shareholding is accounted for as a joint venture as according to the shareholders agreement control is shared.

Fortum owns shareholdings in listed companies such as Hafslund ASA and Territorial Generating Company 1 (TGC-1). The shareholdings are accounted for as associated companies as Fortum has representatives in the Board of Directors of the companies. The share of profit of these companies is accounted for based on previous quarter information since updated interim information is not normally available.

Participations in associated companies and joint ventures in the balance sheet

EUR million	2014	2013
Principal associates	1,074	1,263
Principal joint ventures	730	721
Other associates	42	226
Other joint ventures	182	132
Carrying amount 31 December	2,027	2,341

Changes in participation during the year

EUR million	Associated companies		Associated companies	
	Joint ventures 2014	2014	Joint ventures 2013	2013
Historical cost				
1 January	518	1,130	529	1,270
Translation differences and other adjustments	-11	-166	-7	-88
Acquisitions	36	26	0	0
Reclassifications	5	-9	0	-6
Divestments	-3	-143	-4	-45
Historical cost 31 December	546	838	518	1,130
Equity adjustments				
1 January	334	359	270	305
Translation differences and other adjustments	-23	-71	-17	-15
Share of profits of associates and joint ventures	76	72	92	86
Reclassifications	12	-7	0	6
Divestments	0	-36	0	-16
Dividends received	-27	-30	-24	-49
OCI items associated companies	-6	-10	13	42
Equity adjustments 31 December	366	277	334	359
Carrying amount at 31 December	912	1,115	853	1,489

Share of profit of associates and joint ventures

EUR million	2014	2013
Principal associates		
OKG AB	5	13
Forsmarks Kraftgrupp AB	-9	-4
Kemijoki Oy	-5	-8
Hafslund ASA	36	31
TGC-1	35	46
Principal associates, total	61	78
Principal joint ventures		
Fortum Värme	67	73
TVO	-4	12
Principal joint ventures, total	64	84
Other associates	11	8
Other joint ventures	12	7
Total	149	178

The unrecognized share of losses of associated companies and joint ventures (for the reporting period and cumulatively) is zero.

Share of profits from Teollisuuden Voima Oyj, Forsmarks Kraftgrupp AB and OKG AB includes EUR 2 million (2013: 17) arising from accounting of nuclear related assets and liabilities.

20.2 Investments in associated companies and joint ventures

During 2014 Fortum has acquired additional shares in its associated company, Territorial Generating Company 1. After the acquisition Fortum owns 29.45% of the shares in TGC-1.

In July 2014 Fortum acquired 33.66% in AS Eesti Gaas and a similar shareholding in AS Võrguteenus Valdus. The acquired shares increased Fortum's holding in both companies to approximately 51%. Fortum continues to account for its holdings in the Estonian natural gas businesses using the equity method.

There were no material investments in associated companies or joint ventures during 2013.

[See also Note 8 Acquisitions and disposals.](#)

20.3 Divestments of associated companies and joint ventures

In November Fortum's Heat, Electricity Sales and Solutions segment sold its 31% shareholding in the Finnish natural gas company Gasum Oy.

During the first quarter 2014 Power and Technology segment divested Fortum's 30% shareholding in its associated company Karlshamn Kraft AB.

In June 2013, Fortum agreed to sell its 47.9% ownership in the Swedish energy associate Härjeåns Kraft AB. The transaction was completed in July.

In July 2013 Fortum completed the divestment of its 33% holding in associated company Infratek ASA.

[See also Note 8 Acquisitions and disposals.](#)

Summarised financial information of the principal associated companies in 2014

EUR million	Forsmarks				
	OKG AB	Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
Balance sheet	31 Dec 2013	31 Dec 2013	31 Dec 2013	30 Sept 2014	30 Sept 2014
Non-current assets	2,200	2,094	449	2,426	1,814
Current assets	462	488	9	406	259
Non-current liabilities	2,552	2,348	279	1,452	481
Current liabilities	97	197	90	532	205
Equity	13	37	88	849	1,388
Attributable to NCI				2	118
Attributable to the owners of the parent	13	37	88	847	1,270
Statement of comprehensive income	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 31 Dec 2013	1 Jan 2013 - 31 Dec 2013	1 Oct 2013 - 30 Sep 2014	1 Oct 2013 - 30 Sep 2014
Revenue	568	727	57	1,481	1,357
Profit or loss from continuing operations	1	1	-7	120	126
Other comprehensive income				-23	
Total comprehensive income	1	1	-7	96	126
Attributable to NCI					8
Attributable to the owners of the parent	1	1	-7	96	118
Reconciliation to carrying amount in the Fortum group					
Group's interest in the equity of the associate at 1 January	8	10	57	298	489
Change in share of profit and from OCI items			-5	33	35
Dividends received				-20	-4
Acquisitions					52
Translation differences and other adjustments	-2			-23	-198
Group's interest in the equity of the associate at 31 December	6	9	52	289	374
Fair values on acquisitions and different accounting principles	145	79	158	11	-48
Carrying amount at 31 December	151	88	210	299	326
Market value for listed shares ¹⁾				373	71

1) The market quotation for the TGC-1 share is affected by the low liquidity of the TGC-1 shares in the Russian stock exchanges. During 2014 trading volumes of TGC-1 shares in relation to the number of shares of the company were approximately 9% (2013: 10%).

Summarised financial information of the principal associated companies in 2013

EUR million	Forsmarks				
	OKG AB	Kraftgrupp AB	Kemijoki Oy	Hafslund ASA	TGC-1
Balance sheet	31 Dec 2012	31 Dec 2012	31 Dec 2012	30 Sept 2013	30 Sept 2013
Non-current assets	2,191	2,061	453	2,482	2,878
Current assets	429	512	9	388	366
Non-current liabilities	2,480	2,284	237	1,447	732
Current liabilities	121	251	129	545	427
Equity	18	38	96	877	2,085
Attributable to NCI				2	179
Attributable to the owners of the parent	18	38	96	875	1,906
Statement of comprehensive income	1 Jan 2012 - 31 Dec 2012	1 Jan 2012 - 31 Dec 2012	1 Jan 2012 - 31 Dec 2012	1 Oct 2012 - 30 Sep 2013	1 Oct 2012 - 30 Sep 2013
Revenue	594	753	56	1,634	1,641
Profit or loss from continuing operations	6		-8	95	167
Other comprehensive income				-2	0
Total comprehensive income	6		-8	92	167
Attributable to NCI					8
Attributable to the owners of the parent	6		-8	92	159
Reconciliation to carrying amount in the Fortum group					
Group's interest in the equity of the associate at 1 January	6	10	63	305	510
Change in share of profit and from OCI items	3		-6	52	46
Dividends received	-3			-21	-3
Translation differences and other adjustments	2			-38	-64
Group's interest in the equity of the associate at 31 December	8	10	57	298	489
Fair values on acquisitions and different accounting principles	176	68	158	24	-26
Carrying amount at 31 December	184	78	215	323	463
Market value for listed shares				369	145

Summarised financial information of the principal joint ventures in 2014 and 2013

EUR million	2014		2013	
	TVO	Fortum Värme	TVO	Fortum Värme
Balance sheet	30 Sept 2014	31 Dec 2014	30 Sept 2013	31 Dec 2013
Non-current assets	6,567	2,552	6,218	2,490
Current assets	423	313	507	322
of which cash and cash equivalents	128	6	220	3
Non-current liabilities	4,994	1,362	4,870	1,266
of which non-current interest-bearing liabilities	4,078	995	3,982	906
Current liabilities	516	432	387	471
of which current financial liabilities	351	298	180	301
Equity ¹⁾	1,480	1,071	1,468	1,074
Attributable to NCI				1
Attributable to the shareholders of the company	1,480	1,071	1,468	1,073
Statement of comprehensive income	1 Oct 2013 - 30 Sep 2014	1 Jan 2014 - 31 Dec 2014	1 Oct 2012 - 30 Sep 2013	1 Jan 2013 - 31 Dec 2013
Revenue	353	716	386	807
Depreciation and amortisation	-58	-128	-57	-124
Interest income	23	1	36	1
Interest expense	-67	-28	-64	-29
Income tax expense or income		-30		-33
Profit or loss from continuing operations	4	126	36	136
Other comprehensive income	12	-22	12	20
Total comprehensive income	16	104	48	157
Attributable to NCI				1
Attributable to the shareholders of the company	16	104	48	155
Reconciliation to carrying amount in the Fortum group				
Group's interest in the equity of the joint venture at 1 January	289	537	277	498
Change in share of profit and from OCI items	3	53	12	78
Dividends received		-22		-23
Translation differences and other adjustments		-32		-16
Group's interest in the equity of the joint venture at 31 December	292	535	289	537
Fair values on acquisitions and different accounting principles	-7	-91	-5	-101
Carrying amount at 31 December	285	445	284	436

1) The equity of TVO includes subordinated loans of EUR 339 million (2013: 339). Fortum has given part of these loans, pro rata to the ownership.

[See also Associated companies in Note 39 Legal actions and official proceedings.](#)

[See Note 30 Nuclear related assets and liabilities.](#)

20.4 Transactions and balances

Associated company transactions

EUR million	2014	2013
Sales to associated companies	1	0
Interest on associated company loan receivables	31	28
Purchases from associated companies	483	539

Purchases from associated companies include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Associated company balances

EUR million	2014	2013
Receivables from associated companies		
Long-term interest-bearing loan receivables	1,327	1,320
Trade receivables	1	0
Other receivables	0	12
Liabilities to associated companies		
Long-term loan payables	1	0
Trade payables	1	10
Other payables	0	0

[For more info about receivables from associated companies, please see note 22 Long-term and short-term interest-bearing receivables.](#)

Joint venture transactions

EUR million	2014	2013
Sales to joint ventures	82	94
Interest on joint venture loan receivables	28	34
Purchases from joint ventures	85	113

Purchases from joint ventures include mainly purchases of nuclear and hydro power at production cost including interest costs and production taxes.

Joint venture balances

EUR million	2014	2013
Receivables from joint ventures		
Long-term interest-bearing loan receivables	714	1,267
Trade receivables	17	27
Other receivables	15	20
Liabilities to joint ventures		
Long-term loan payables	261	248
Trade payables	5	6
Other payables	4	3

[For more info about receivables from joint ventures, please see note 22 Long-term and short-term interest-bearing receivables.](#)